


***TD 95/38 - Fringe benefits tax: if a low or interest free loan is provided by an insurance company to an employee (or an associate of an employee) of an insurance agency, can the taxable value of the loan fringe benefit be reduced by premiums paid on a life insurance policy held by the agency employee as a condition to the granting of the loan?***

 This cover sheet is provided for information only. It does not form part of *TD 95/38 - Fringe benefits tax: if a low or interest free loan is provided by an insurance company to an employee (or an associate of an employee) of an insurance agency, can the taxable value of the loan fringe benefit be reduced by premiums paid on a life insurance policy held by the agency employee as a condition to the granting of the loan?*



This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

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## Taxation Determination

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**Fringe benefits tax: if a low or interest free loan is provided by an insurance company to an employee (or an associate of an employee) of an insurance agency, can the taxable value of the loan fringe benefit be reduced by premiums paid on a life insurance policy held by the agency employee as a condition to the granting of the loan?**

1. No. Section 18 of the *Fringe Benefits Tax Assessment Act 1986* (FBTAA) defines the taxable value of a loan fringe benefit to be the difference between the 'notional amount of interest' (based on the statutory interest rate) and the interest accrued on the loan. There is no provision in the FBTAA which allows for a reduction in a loan fringe benefit for employee contributions made towards that benefit.

2. The life insurance premiums are payments made towards the purchase or maintenance of a life insurance policy and have no effect on the calculation of the taxable value of a loan fringe benefit.

### *Example*

*A low interest home loan is granted to an employee of an insurance agency by an insurance company.*

*As a condition of the loan being granted the employee is required to take out a life insurance policy with the insurance company over the period of the loan as a form of security.*

*The premiums paid towards the policy, while required for making the loan, have no effect on the calculation of the taxable value of the loan fringe benefit.*

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Related Rulings: TR 93/38

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